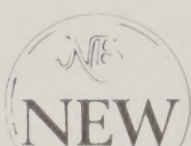


Investment Insights

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**NEW
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RARE COIN
GALLERIES**
THE LEADER IN
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OF SPECIAL INTEREST: Doctor, Lawyer, Indian Chief

What does a doctor have in common with a restaurant owner? What does a lawyer have in common with an architect? They're all self-employed professionals and, as such, are eligible to profit from the tax advantages inherent in the professional corporation. In early 1977, the number of existing professional corporations was estimated at 100,000. Doctors in particular seem to find this an attractive alternative, as over half of them are involved in such a tax arrangement, although these corporate fringe benefits are available to all self-employed business people. The variety of flexible corporate pension and profit sharing retirement plans not available to the unincorporated professional is perhaps the strongest drawing point to this growing practice.

Steven K. Riemer, a Boston attorney who has written and lectured on the subject of professional corporations, noted in the Fall 1977 Massachusetts Law Quarterly that, "the primary reason for a professional to incorporate is that the corporation will be able to deduct the cost of various benefits which were previously non-deductible to the professional as a sole practitioner or partner....The professional is able to save thousands of dollars in taxes each year." Mr. Riemer further enumerates the specific benefits of incorporation.

1. Annual contributions to a qualified corporate retirement plan can exceed the contribution limits of a Keogh plan by \$22,500 or more.
2. The corporation may assume and deduct the cost of the professional's health insurance and reimburse the professional for all medical expenses incurred by him, his spouse, and his dependents which are not covered under his health insurance policy.
3. The corporation may assume and deduct the cost of disability income protection insurance premiums on the life of the professional.
4. The corporation may may adopt a group-term insurance plan for employees whereby the cost of premiums providing coverage of up to \$50,000 will not be taxable to the employee. The corporation may provide certain specified benefits for professional employees and lesser benefits to all other employees. This in itself results in substantial tax savings. For example, in Massachusetts, the premium for Master Medical health insurance costs approximately \$1800 per year; the professional may deduct this cost after incorporation.

5. The corporation may provide a \$5,000 tax-free death benefit to the professional's beneficiary.
6. A shareholder will not be personally liable for acts of malpractice committed by another shareholder. However, incorporating will not protect a professional from his own acts of malpractice.
7. The professional will not, in many cases, be required to file estimated income tax returns, since his income is subject to withholding taxes.
8. The professional who incorporates generally becomes more aware of the business aspects of his practice.

It should be noted that there are some disadvantages to incorporation. The professional, for example, becomes subject to unemployment taxes and workmen's compensation insurance coverage, and will also incur annual legal and accounting fees to maintain the corporation. However, such disadvantages become negligible when compared to the tax advantages and savings the professional receives after incorporating.

The incorporated professional may choose from a variety of pension and profit sharing plans or combinations thereof. It is the flexibility of these plans, and the opportunity for greater amounts of legal contribution than allowed under a Keogh plan, that are perhaps the most desirable features of a professional corporation.

Briefly, as a corporation you may opt for participation in a Defined Benefit Pension Plan which guarantees a specific benefit upon retirement (retirement benefit may not exceed \$90,150 or 100% of yearly compensation). The annual contribution is actuarially determined, assuming that the annual contribution will grow at a particular, constant interest rate. If yearly incrementations should exceed or fall short of the designated rate, the following year's contribution must compensate for this deviation. Speculation is neither encouraged nor rewarded. This plan is excellent for older professionals, as larger annual contributions are allowed to achieve the guaranteed retirement benefit. (For example, a professional who chooses a retirement benefit equal to 60% of his compensation may contribute \$26,310 each year to this plan. Under a Money Purchase plan, the permitted contribution would be only \$12,500).

Under the Money Purchase Plan, a uniform percentage of income is contributed to the retirement benefit each year (the maximum permitted contribution is 25% of compensation or \$30,050, whichever is less) and the amount accrued from the investment experience need not be a constant. The final retirement benefit is not guaranteed as in the Defined Benefit Plan, but depends directly upon the investment avenues chosen. For instance, \$30,050 placed in a 7½% term savings certificate for 20 years would produce a retirement benefit of \$1,301,303. (Rare coins have demonstrated an annual compound growth rate of 12.3% according to a study by Salomon Brothers investment firm.)

The Target Benefit Pension Plan combines features of the two aforementioned plans in order to provide even greater flexibility. A "target" retirement benefit is assumed (though not guaranteed), but the eventual benefit is directly related to gains or losses of the investment fund.

Contributions to a corporate profit sharing plan are made from annual corporate profits, rather than from the professional's salary. These contributions may vary from year to year, depending upon corporate performance, and no minimum amount is dictated (the corporation, however, may not deduct more than 15% of all participants' compensation). A professional corporation may even elect to take advantage of a combination of pension and profit sharing plans; in this case, the total contribution to both plans will be increased to \$30,050 or 25% of compensation, whichever is less).

Corporate pension and profit sharing has a number of advantages over the Keogh plan. \$7,500 is the maximum annual contribution to a Keogh plan (up to \$30,050 is allowed under a corporate plan, more in some cases), and no carryovers are allowed from year to year. Keogh does not provide for loans and hardship withdrawals; loans are permitted in both pension and profit sharing plans, and hardship withdrawals are allowed under profit sharing plans. Such loans and withdrawals can even be made for necessities like college tuition. Under provisions of the Keogh plan, withdrawals before age 59½ are subject to a substantial penalty. While the maximum limits of pension and profit sharing contributions automatically increase each year correspondent with the rate of inflation, amendments to the Keogh plan must be approved by Congress.

For the professional with employees, incorporation can be especially desirable. Under a Keogh plan, employees are 100% vested; in a corporate pension or profit sharing plan, vesting can be staggered over a number of years. As a professional corporation, you may be trustee of your corporate retirement plan. As such, you are allowed physical possession of your assets, i.e., if rare coins form a part of your investment portfolio, you need not entrust their keeping to a bank, as you would be required to under the Keogh provisions. A Keogh plan does cost less to establish and maintain, but where flexibility and eventual benefit are the key factors, the retirement plans available to a professional corporation are far more advantageous.

The growth of professional corporations is a new and fast-expanding area, and corporate retirement plans are an excellent vehicle for a rare coin investment portfolio. If you are interested in the concept of professional incorporation, discuss the matter with your lawyer. Or you may contact Attorney Steven K. Riemer at 1 Center Plaza, Suite 290, Boston, MA 02108 (617-742-3320). Mr. Riemer has considerable expertise in the legal aspects of professional incorporation, and has written an informative analysis of the subject, Servicing the Professional Corporation (Prentice-Hall, Inc., 1976.). He would be glad to be of assistance.



INVESTMENT FORUM

Q. Has NERCG considered extending NERCG charge accounts to customers? (with interest terms similar to major credit card companies). Does NERCG offer any type of lay-away program, whereby coins purchased may be paid over a period of time (for the convenience of the customer?)

A. Terms for a deferred payment plan are now being prepared by our retail department and should be implemented within the month (watch for our ad in the April 19th issue of COIN WORLD). The details of the terms have not yet been completely resolved, but the plan should be interest-free if payment is made within ninety days. Again, watch for our ad, or call us directly on this. Essentially, we do now have charge accounts for our established customers. No special cards or numbers are issued, but we will ship coins on approval if your credit references are adequate.

Q. Is it better to just buy one type of coins, such as silver dollars or gold, or are you better off investment-wise to buy coins from different series and of different metals?

A. As in any investment portfolio, diversification is the key factor. One can make fairly safe predictions based on a coin's past performance, but the future appreciation rate is never absolutely guaranteed. Hedge your bet with a collection of different series and different metals -- but stick to the best possible quality coins.

A "Type" Selection of Proof and Uncirculated Coins Prior to 1930 from A Guide Book of U.S. Coins.

Q. Enjoyed your informative piece on Proof coins in the March issue. My question is, are proof coins generally worth more than uncirculated coins? Which tends to appreciate in value faster?

A. Your question prompted us to conduct some concrete research (see following chart) which definitely confirmed our theories concerning the realitive appreciation patterns of uncirculated and proof coins. Over the past five years, proof gold appears to have outpaced uncirculated gold. Just the opposite trend has occurred, however, in the other metals. In the non-gold coins, uncirculated pieces have appreciated at a far greater rate than proofs. We do recommend, though, that proof coins be purchased as a part of your rare coin portfolio, as they are extremely difficult to obtain in the higher grades and hence will always be sought-after commodities. Be careful not to purchase severely hairlined or impaired proofs (some surface defects are almost unavoidable) -- a "perfect" proof is essentially the same as an MS-70 business strike coin.

		Appreciation (simple %)	
Gold Coins		Combined	
1973-8 Proofs	57% year	1973-8 Proofs	49% year
1973-8 Unc.	50% year	1973-8	59% year
Non-Gold Coins			
1973-8 Proofs	30% year		
1973-8 Unc.	69% year		

	PROOFS		UNCIRCULATED	
	1973	1978	1973	1978
1857 Flying Eagle Cent	\$2150.00	\$2900.00	\$125.00	\$475.00
1907 Indian Cent	47.50	100.00	9.25	34.00
1909 Lincoln Cent	80.00	100.00	5.50	10.00
1867 Two Cent Piece	115.00	350.00	35.00	225.00
1881 Three Cent Nickel	50.00	170.00	20.00	100.00
1873 Shield Nickel	67.50	190.00	42.50	140.00
1890 Liberty Nickel	55.00	140.00	35.00	75.00
1913 T.1 Buffalo Nickel	215.00	425.00	12.00	30.00
1861 Three Cent Silver	130.00	400.00	55.00	210.00
1870 Seated Half Dime	77.50	300.00	42.50	250.00
1888 Seated Dime	75.00	250.00	40.00	200.00
1892 Barber Dime	77.50	250.00	25.00	110.00
1875 Twenty Cent Piece	280.00	1200.00	200.00	950.00
1870 Seated Quarter	120.00	500.00	75.00	600.00
1895 Barber Quarter	100.00	425.00	50.00	235.00
1876 Seated Half Dollar	115.00	500.00	75.00	400.00
1892 Barber Half Dollar	160.00	600.00	135.00	475.00
1860 Seated Dollar	300.00	1350.00	150.00	650.00
1903 Morgan Dollar	225.00	600.00	8.75	25.00
1874 Trade Dollar	375.00	1400.00	130.00	475.00
1889 \$1 Gold, Type 3	250.00	1100.00	120.00	425.00
1907 \$2½ Liberty Gold	400.00	1500.00	70.00	175.00
1910 \$2½ Indian Gold	525.00	1500.00	60.00	150.00
1889 \$3 Gold	1100.00	5000.00	500.00	2000.00
1899 \$5 Liberty Gold	475.00	2250.00	65.00	125.00
1909 \$5 Indian Gold	800.00	3500.00	70.00	250.00
1907 \$10 Liberty Gold	850.00	4000.00	65.00	175.00
1908 \$10 Indian Gold	1350.00	5000.00	80.00	300.00
1903 \$20 Liberty Gold	2100.00	8000.00	90.00	325.00
1910 \$20 St. Gaudens Gold	2400.00	8000.00	85.00	300.00
	\$15,065.00	\$52,000.00	\$2475.50	\$9894.

Q. A while ago, I noted that the "flip" holder of a lot I obtained from a major dealer at a public auction, began to "sweat." Is it because the "flip" holder was not of a special polyvinyl chloride mixture? I would like to obtain "flip" holders for my coins which have the special polyvinyl chloride mixture properties mentioned in NERCG's INVESTMENT INSIGHTS. What brand of "flips" (name and address) does NERCG use for the storage of its coins?

A. All New England Rare Coin Galleries flips are purchased from Madison Coin Box, 34 Lincoln Place, Madison, NJ 07940. Owner Ed Hilbert has been making the same quality flips for six years, out of high grade vinyl imported from Germany that is virtually oil-free ("sweating" is caused by oil in the vinyl). To test your flip for oil content, hold it close to an electric light bulb for a few minutes. If there is oil in the vinyl, it will become visible.

Q. Is it better to buy a complete gold type set of average grade, or to buy individual gold coins of Gem and Superb grades?

A. It depends, really, on whether you're collecting strictly for fun, strictly for profit, or both. From an investment standpoint, Choice, Gem and Superb quality coins have the most potential. If you enjoy collecting too, try to complete a type set of the highest possible quality coins. (A complete type set can oftentimes bring more money when it's liquidated than the coins would if sold individually.) If, however, this is financially unfeasible, just concentrate on the better quality pieces that are affordable. If you are really interested in completing a type set, you needn't be wary of average grade specimens; it is highly unlikely that you will ever lose money on these -- they just appreciate at a slower pace.

BOSTON KNOWS ABOUT NEW ENGLAND

BOSTON Magazine, the city's largest circulating monthly magazine, featured an analysis of various investment alternatives in its March issue. The article included current evaluations of the profit potential of the traditional investment vehicles, such as stocks and bonds, as well as of the tangible assets that can be considered for investment. Since the article's researcher felt that "New England Rare Coin is probably as good a place as any in the country to begin a collection," we were chosen to be spotlighted in BOSTON'S special piece on rare coins. We are flattered to be recognized as a leading authority in the field of rare coin investments.

Author Charles Dawe noted in the introduction to "Collector's Items" that, "in a recent study of various investments, Salomon Brothers, a major New York brokerage firm, discovered that their own stock in trade, securities, had not even kept pace over the past ten years with the Consumer Price Index. In the meantime, all the alternative investments -- real estate, oil, gold, coins, and antiques -- had outstripped both the C.P.I. and the laggard stocks and bonds.... There are five million fewer stock market investors today than there were in 1970."

Dawe emphasized the importance of doing business with a reliable dealer, even if the investor's numismatic knowledge is adequate, as large dealers' teletype services can be indispensable in locating the finer quality coins. With a staff of expert numismatists working for you at New England, in addition to two teletype services, representatives at all major conventions and auctions, and the largest inventory in the region, you can be sure you're getting up-to-the-minute market information.

Dawe further goes into specifics regarding the comparative performances of Uncirculated and Proof coins. "Uncs (uncirculated coins) are currently the hotter item," he observes. "No one really knows why, but apparently investors are attracted to uncs because they are rarer. No one saved them, they've disappeared from the market, there's an air of mystery to them. Chris Tracey of N.E.R.C. adds that numismatic history is cyclical. From 1960 to 1967, proofs apprecia-

ted at a slightly faster rate than did uncs, while over the past five years, the price of uncs rose 314 percent. Proofs lagged behind, if that's the right word for an increase of 168 percent. Tracey predicts that the tide will turn again, perhaps in five years, and proofs will regain the lead. He also says that coins made of nickel will begin to make a strong showing. These lackluster cousins of gold and silver have been underrated because people haven't recognized their rarity, especially as colonial coins."

As an introduction for the novice in numismatic investing, the author had Chris prepare a hypothetical rare coin portfolio for an investor with \$2,000 to spend initially. In this situation, it was recommended that the portfolio be held for a minimum of five years. "The first two years after purchasing the coins, [the investor] would make back what he had to pay N.E.R.C. for getting him in and out. Over the next three years...he would make a pure profit, between 20 and 25 percent a year. (The figures seem to bear (this) out. Although Salomon Brothers reported only a 12 percent yearly increase for rare coins, N.E.R.C.'s track record has been better.)" The importance of diversification among the various coining metals was also discussed.

Dawe related Chris' prediction that "brokerage firms will enter the numismatic field eventually, as more and more of their customers become disaffected with conventional securities.

The BOSTON Magazine article barely begins to explore the financial and tax advantages to investing in rare coins, and gives no indication of how widespread interest in numismatics has become among the investment community. But it serves as an informed and straightforward introduction to the growing group of investors who are looking for an intelligent alternative. This and other articles in such national publications as COMMODITIES, THE WALL STREET JOURNAL, and BARRON'S are succeeding in increasing the popularity of rare coins, thereby making them an even more solid investment.

LIBERTY NICKELS AS AN INVESTMENT



One of the most popular ways to collect or invest in coins today is by design type. Since there are approximately 100 different types of U.S. coins of various metals and price ranges, most collectors find it financially advantageous to concentrate on Gem Uncirculated or Superb Full Strike (F.S.) condition specimens of types that are currently undervalued in relation to their relative availability.

Observations made while attending recent major shows throughout the country indicate that most dealers have plentiful supplies of the coins that are currently hot, e.g., silver dollars. Small quantities, if anything at all, are available in certain other areas that are always in demand. One of these desirable areas is the Liberty Nickel series. This relatively short-lived series has some of the most difficult coins of all to locate in Gem (65) or Superb (65/70) F.S. condition. The designation "Full Strike" means that the specimen features 13 radially lined stars, distinct hair detail, and full grains in the reverse corn stalks. That these problem areas exist in Liberty Nickels is due to the characteristic hardness of the metal and the frequent lack of sufficient die pressure during the striking process.

The first-year-of-issue 1883 Without Cents Nickel is the most easily located Liberty Nickel in Gem 65 condition. This was a greatly hoarded date, but is still a good investment as it is a one year type coin. It is paradoxical that the last year issues of 1912 seem to be the most difficult to locate in (65/70) F.S. condition, especially as they are all rather mushy in appearance. Any specimens of the three issues should be purchased immediately when available in Full Strike. While the issues of the 1880's are all relatively scarce in (65/70) F.S. (especially the 1884, 1885, 1887, and 1889) the 1909 issue is the scarcest issue of the 20th century in Superb F.S. The 1886 is a key date within the series, yet it is quite scarce in any grade above X.F., and especially rare in Gem (65) or Superb (65/70) F.S. The 1895, 1896, and 1898 are also scarce in (65/70) F.S. The 1888 is approximately as difficult to locate in (65/70) F.S. as the 1890-1893 issues, and the remaining issues of the 19th century are all quite scarce in F.S., especially the 1894. Issue dates of the 20th century, which are by no means common in Gem or better condition, are usually more readily available than the 19th century pieces.

Since these coins were minted both in the 19th and 20th centuries, they are much sought after strictly from a type standpoint. In light of current price levels, it may be advisable to consider collecting a complete set by date. The common dates retail at \$125 or more in Gem (65), so today's prices are more than reasonable. Aside from

certain Indian Cents and Morgan Dollars, the Liberty Nickel is the only 19th century coin that can be purchased in Gem BU (65) or Superb F.S. (65/70) for under \$200.00. This in itself is reason enough to purchase pieces before they climb over the \$200 level. While most Gem (65) coins may not have full strikes, they are legitimately scarce in original, pristine, mint condition. Full strike Superb specimens will be extremely difficult to locate and will always carry a premium price. We strongly recommend the purchase of any Liberty Nickel in Gem (65) or Superb (65/70) F.S. condition.

THE SECOND INDISPENSABLE REFERENCE: COIN WORLD ALMANAC -1978 edition

Since we strongly believe that any investor in rare coins should acquire at least a general knowledge of numismatics, we like to recommend, from time to time, what we feel are valuable reference works. Your numismatic library should begin, of course, with A Guidebook to United States Coins (the "Red Book") by R.S. Yeoman. This is THE standard reference work in the industry; it is updated each year with new price level information. The second addition to your library should probably be the COIN WORLD ALMANAC, which is also revised each year.

The ALMANAC is a truly remarkable compendium of numismatic and historical information, compiled in a concise, readable format. Of most immediate significance to the investor will be the chapters dealing with coin grading, rarities, coin investments, taxes, and most importantly, the tables of COIN WORLD price trends for the past year (this has been expanded to include U.S. currency and foreign issues). The section on taxes and coins is especially worthwhile, as it offers specific, practical advice as to how to organize and time your rare coin investments in order to best take advantage of current capital gains tax regulations. The chapter on grading also includes tips on the care and handling of rare coins, and in the rarities section you'll find an impressive list of auction price records for some of the major numismatic rarities.

But these chapters actually comprise a relatively minor portion of the ALMANAC. The COIN WORLD editors have also presented a short but comprehensive explanation of the minting process, a dictionary of numismatic terms and abbreviations, a history of paper money, a guide to detecting counterfeits, a description of the U.S. Mint including its history and responsibilities, a record of all Congressional laws and regulations regarding the coining and distribution of money, mintage figures and standardization data, and much, much more. If you haven't had your fill of numismatic lore by the time you're finished with the ALMANAC, they've also provided a voluminous directory to other pertinent numismatic reference works.

The ALMANAC sells for only \$10. This indispensable reference is well worth the price.

MARKET REPORT

Recent developments in the U.S. economy have contributed tremendously to the "boom" occurring in today's coin market. The U.S. dollar may have bottomed out, but it is still floundering around at very low levels both in Europe and Japan. Lack of faith in the fiat U.S. Dollar has added strength to the bullion market where gold and silver have recorded large increases in the past several weeks. Figures released recently from the U.S. Labor Department indicate that the rate of unemployment has diminished; this should lead to an acceleration in production and increased spending by the American consumer. Rumors abound on Wall St. that the Federal Reserve may loosen its grip on credit and lower interest rates.

The American consumer now has more disposable income at hand, and a desire to invest that is prompted by fear of an imminent recession or economic setback. These investors are searching for an investment medium which will produce some real gains to offset the losses caused by spiralling yearly inflation. The investment community is looking for reliable alternative investment media to supplement their speculations in the stock market. The coin market, especially rare coins, is becoming more and more attractive to the serious investor.

Presently, all facets of the market are experiencing heavy, active trading. It is difficult to pinpoint the most lucrative areas, as many series have realized great gains over the past year. The following chart lists prices realized from two New England Rare Coin auctions, held nearly one year apart. We realize that each coin has its unique characteristics, but the overall description of a particular coin for both years was essentially the same.

	Cambridge Devonshire		
	Sale Dec. 1976	Sale Nov. 1977	% Increase
1853 Half Cent-Brown			
Uncirculated (60)	\$110	\$145	32
1852 Large Cent-Brown Unc (60)	80	120	50
1864 Indian Head Cent-Bronze			
Gem (65)	85	100	15
1910-S Lincoln Cent-Superb			
(65/70)	65	80	23
1915-D Lincoln Cent-Gem (65)	35	50	43
1864 Two Cent Piece (Large			
Motto)-Choice (60/65)	225	260	16
1867 Shield Nickel, with			
Rays-Choice (60/65)	500	575	15
1898 Liberty Nickel - Superb			
(65/70)	160	185	16
1832 Bust Half Dime-Borderline			
Unc (55)	110	150	36
1840-0 Seated Liberty Half			
Dime-XF (45)	50	80	60
1872-S Seated Liberty Half Dime			
(mint-mark below)-Superb (65/70)	350	400	14
1879 Seated Dime-Gem (65)	500	550	10
1896 Barber Dime-Gem (65)	250	300	20

1909-0 Barber Dime-Superb			
(65/70)	350	825	136
1924-S Mercury Dime-Gem (65)	285	330	16
1896 Barber Quarter-Choice			
(60/65)	240	280	17
1923-S Standing Liberty Quarter			
-Choice (60/65)	375	550	47
1907-D Barber Half-Choice			
(60/65)	350	525	50
1914-S Barber Half-Superb			
(65/70)	1075	1250	16
1895-0 Morgan Dollar-Borderline			
(55/60)	290	475	64
1849 Gold Dollar, Type One			
(Open Wreath) No L-AU (50)	150	170	13
1852 \$2½ Liberty-Choice (60/65)	200	260	30
1908-D \$5 Gold Indian-Choice			
(60/65)	200	260	30

As we noted previously, all areas of the market have prospered. Another indicator of a very "hot" market (aside from the incredible volume of transactions) is the recent record prices being set at public auctions and through private sales.

1854 \$3 Gold-Superb	\$7,750 at the Fairfield Sale, October, 1977
1875 Trade Dollar-Superb	\$7,250 at the Fairfield Sale, October, 1977
1921 Peace Dollar-Gem Fully Struck	\$2,000 - dealer to dealer, March, 1978
1923-S Peace Dollar-Gem Full Strike	\$750 - dealer to dealer, March, 1978
1907 \$20 Liberty Gold-Gem	\$1,000 - dealer to dealer, March, 1978

The economic situation that we've discussed seems to indicate that the trend toward increased participation in rare coin investment will continue. The market will remain very active, higher prices will be recorded, and a rewarding rate of return over the next several years will be realized by the smart investor who enters the coin market now.

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